

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Jay Scott Emler, Chairman
Shari Feist Albrecht
Pat Apple

In the Matter of the Application of Kent A.)	Docket No. 17-CONS-3026-CWLE
Deutsch, d/b/a Deutsch Oil Company and Globe)	
Operating, Inc., for a Well Location Exception)	CONSERVATION DIVISION
For the Morrison A, Morrison B, and Batman)	
Morrison #1 Wells in E/2 NE/4 of Section 28-)	License Nos. 3180(Deutsch), 6170(Globe)
<u>21-13, Stafford County, Kansas.</u>)	

PROTEST

COME NOW, Robro Royalty Partners, Ltd., and Bitter End Royalties, L.P. (collectively, “Protestants”), by and through their legal counsel, and file their Protest to the above-captioned Application for Well Location Exceptions filed by Kent A. Deutsch, d/b/a Deutsch Oil Company and Globe Operating, Inc. (collectively, “Deutsch”). In support of their Protest, Protestants state as follows:

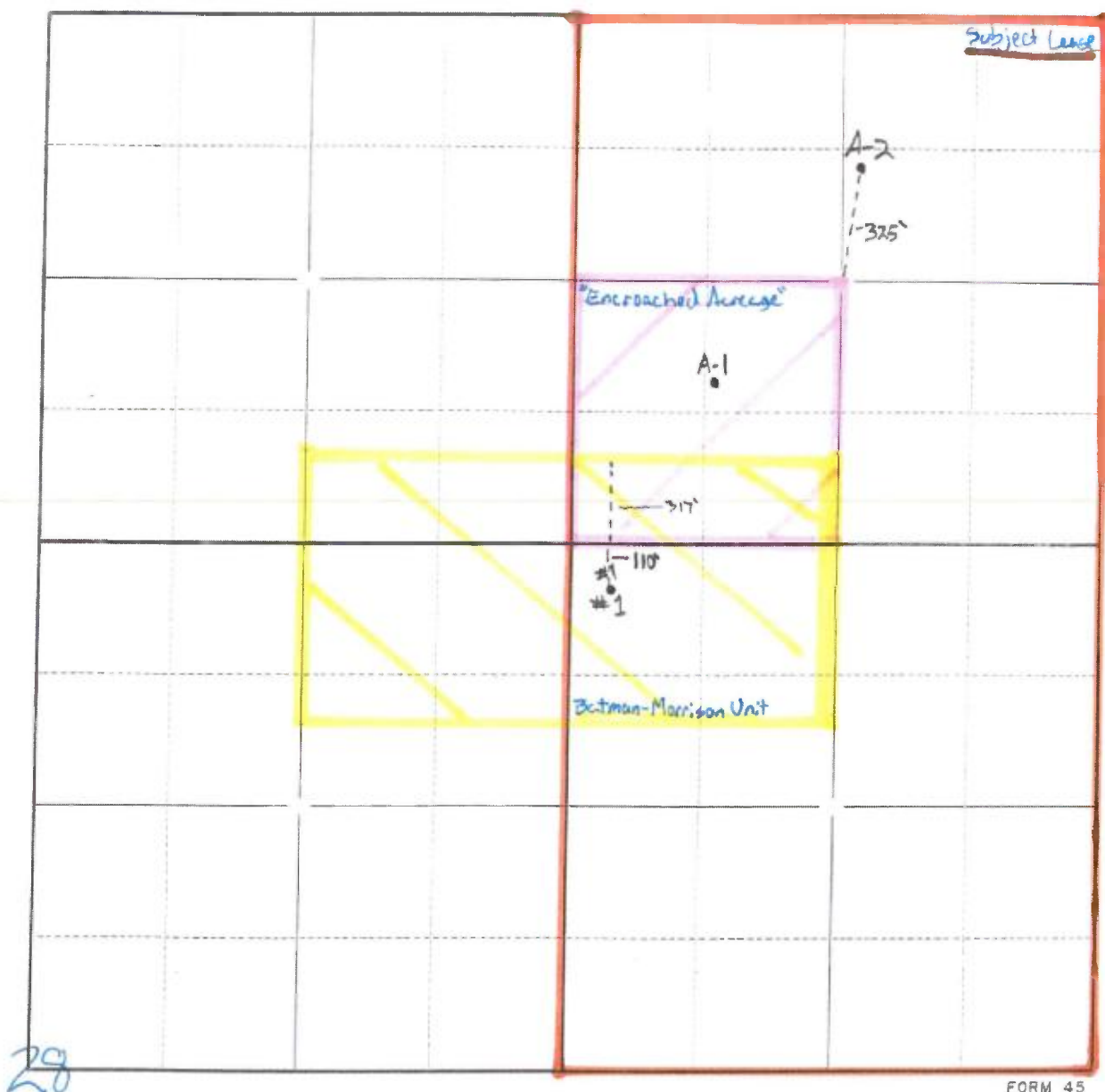
1. Protestants are the owners of an undivided 87.939% interest in and to the minerals lying beneath a 10-acre tract described as the Southeast Quarter of the Northeast Quarter of the Northeast Quarter (SE/4 NE/4 NE/4) of Section 28-21S-13W, Stafford County, Kansas (“Encroached Acreage”). Protestants are also the owners of a like undivided interest in and to the oil and gas royalty from the Morrison A-1 well, API No. 15-185-20252, located near the center of the Encroached Acreage.¹ The Morrison A-1 well is referred to as the “Morrison A” well in the Application.

2. Depicted on the plat below are the wells at issue in the Application, and the boundaries of the applicable oil and gas lease, declared unit. Also depicted is the Encroached

¹ The balance of the undivided interest in the minerals beneath the Encroached Tract and the balance of the undivided interest in the royalty from the Morrison A-1 well are owned by another party.

Acreage, which is the same acreage as the drilling and spacing unit for the Morrison A-1 well. As shown on the plat, the Batman-Morrison #1 well (110' feet from the unit boundary) and the Morrison A-2 well (325' from the unit boundary) were each drilled at unlawful locations and encroach upon the drilling and spacing unit for the Morrison A-1 well and the Encroached Acreage.

Township 21 S Range 13 W County Stafford State Kansas



3. The Morrison A-1 was drilled and completed in the Arbuckle formation in 1970 on an oil and gas lease ("Subject Lease") covering the following described 80-acre tract ("Leased Acreage"):

East Half of Northeast Quarter (E/2 NE/4) of Section 28-21S-13W, Stafford County, Kansas.

As depicted on the plat above, the whole of the Encroached Acreage (pink boundary) is included within the Leased Acreage (orange boundary). Deutsch subsequently became the operator of the Morrison A-1 well, and a working interest owner of the Subject Lease.

4. Deutsch obtained amendments from Protestants and the other lessors under the Subject Lease to allow for 20-acre oil units. On February 14, 2014, Deutsch declared a 20-acre oil unit ("Batman-Morrison Unit"), comprised of the following described lands:

Commencing at the Northeast corner of the Northeast Quarter (NE/c NE/4) of Section 28-21-13, Stafford County, Kansas, thence West 660' to a point on the North line of Section 28, thence South parallel with the East line of Section 28, a distance of 1110' to the point of beginning, thence West parallel with the North boundary line of Section 28 a distance of 1320', thence South 660', thence East 1320', thence North 660' to the place of beginning, being a tract rectangular in shape, within which is located the "Batman-Morrison Unit well."

Notably, the Batman-Morrison Unit (yellow boundary) includes the southern 220' of the Encroached Acreage (pink boundary) owned by Protestants.

5. As recited in the Application, Deutsch caused the Morrison A-2 well (referred to as the "Morrison B" well in the Application) and the Batman-Morrison #1 well to be drilled on the following dates, at the following described locations in Section 28-21S-13W, Stafford County, Kansas:

<u>Well Name</u>	<u>Date Completed</u>	<u>Location</u>
Morrison A-2	1/6/2013	4937' FSL; 641' FEL
Batman-Morrison #1	3/3/2014	3863' FSL; 1184' FEL

Both wells were drilled under the Subject Lease. The Batman-Morrison #1 is located upon the Batman-Morrison Unit.

6. Although all wells were drilled under the Subject Lease, Deutsch treats the Encroached Acreage and the balance of the Leased Acreage as separate leases. Consistent with that practice, Deutsch does not pay Protestants royalty on oil produced from the Morrison A-2 well and the Batman-Morrison #1 well. Deutsch does this even though a portion of the Encroached Acreage is included in the Batman-Morrison Unit. For purposes of this Protest it is therefore necessary to treat the Encroached Acreage as if it is covered by a separate oil and gas lease from the balance of the Leased Acreage.

7. The areas encompassing the Leased Acreage (which includes the Encroached Tract) and the Batman-Morrison Unit are not prorated or otherwise specially spaced by rule or order of the Commission.

8. Spacing and Setback. The standard drilling and spacing unit for oil wells located in non-prorated areas is 10 acres. K.A.R. 82-3-207. In Stafford County an oil well shall not be drilled nearer than 330' from any lease or unit boundary line, without first obtaining a well location exception. K.A.R. 82-3-108.

9. Setback Violation. Any well drilled in violation of Commission rules shall be considered to an unlawful location. K.A.R. 82-3-110(a). Such a well **shall be presumed to be in violation of correlative rights and to constitute waste.** *Id.* (emphasis added). The operator of a well drilled nearer than 330' from any lease or unit boundary line without a previously obtained well location exception shall be prohibited from producing such well until an appropriate allowable is determined. K.A.R. 82-3-108(h). If the commission determines that an exception should be denied, it may issue an order requiring the well to be (i) plugged and abandoned or (ii) produced

at a reduced rate to ensure protection of correlative rights and the prevention of waste. K.A.R. 82-3-110(b).

10. As depicted on the above plat, not only did Deutsch drill the Batman-Morrison #1 merely 110' from the boundary line of the Encroached Acreage and the drilling unit for the Morrison A-1 well, but Deutsch also drilled the Batman-Morrison #1 well just 317' from the boundary line of the Batman-Morrison Unit it declared. In one act, Deutsch violated Commission rules governing well spacing and setbacks by drilling the Batman-Morrison #1 well at an unlawful location less than 330' from two different lease or unit boundaries.² K.A.R. 82-3-108(a), -110(a). As a result, the Batman-Morrison #1 is presumed to violate the correlative rights of Protestants, and is also presumed to constitute waste. K.A.R. 82-3-110(a).

11. Additionally, the Batman-Morrison Unit as declared by Deutsch encompasses a portion of the existing drilling unit for the Morrison A-1 well and the Encroached Acreage, in violation of the Commission rules governing well spacing. K.A.R. 82-3-207. As a result, the Batman-Morrison Unit is presumed to violate the correlative rights of Protestants. K.A.R. 82-3-110(a).

12. As also depicted on the above plat, Deutsch drilled the Morrison A-2 well 325' from the boundary line of the Encroached Acreage and the drilling unit for the Morrison A-1 well. Deutsch therefore drilled the Morrison A-2 well at an unlawful location less than 330' from the unit boundary lines in violation of the Commission rules governing well spacing and setbacks. K.A.R. 82-3-108(a), -110(a). As a result, the Morrison A-2 well is presumed to violate the correlative rights of Protestants, and is also presumed to constitute waste. K.A.R. 82-3-110(a).

² The Batman-Morrison Unit also encroaches upon the spacing unit for the Oliver #1 well located in the SW/4 NE/4 SW/4 NE/4 of Section 28-21-13W, Stafford County, Kansas, in violation of Commission spacing rules.

13. In its Application, Deutsch states that the Morrison A-1 well is not on the same structure as the Morrison A-2 well and Batman-Morrison #1 well, and concludes that, as a result, Protestants correlative rights are not violated. This assertion is belied by Deutsch's own structure map attached as Exhibit A to its Application, which shows the Morrison A-1 to be located only a few feet lower on the same structure as the Morrison A-2 and Batman-Morrison #1 wells. The seismic interpretation attached as Exhibit B to the Application is labeled a Lansing formation time structure, and of little probative value in this matter involving wells producing from the Arbuckle formation. Even if the seismic interpretation was intended to interpret the Arbuckle formation, it would only corroborate the fact that the Morrison A-1 is slightly lower on the same structure as Morrison A-2 and Batman-Morrison #1 wells. As such it is possible that the Morrison A-2 and Batman-Morrison #1 wells are draining oil from a pool in communication with the Morrison A-1 in violation of Protestants' correlative rights.

If the Arbuckle formation is a water-drive formation, as Applicant alleges it is, producing the Morrison A-2 and Batman-Morrison #1 without a substantially reduced allowable could cause the structurally lower Morrison A-1 to prematurely water out, resulting in waste and the violation of Protestants' correlative rights. Application, p. 2-3, ¶ 13. Further, the overproduction of oil from the common pool may result in waste if the natural energy of the pool is inefficiently utilized. This could be the reason by the Morrison A-2, which is structurally higher than the Morrison A-1, has already experienced water encroachment and was forced to be shut-in. Application, p. 3, ¶ 13.

14. Deutsch also relies on well production data in its Application to demonstrate the wells are not in pressure communication. Application, p. 3, ¶ 15. What Deutsch fails to mention is that the Morrison A-1 and Morrison A-2 were impermissibly produced into a common tank battery for months after the Morrison A-2 was completed. As a result, any effort by Deutsch to

differentiate the Morrison A-1 and Morrison A-2 by references to production is, at best, unreliable, and of little probative value in this matter.

15. As depicted and described above, Deutsch drilled the Morrison A-2 and Batman-Morrison #1 wells inside the 330' minimum setback for the Morrison A-1 drilling unit and the Encroached Acreage. By rule, the Morrison A-2 and Batman-Morrison #1 wells are at unlawful locations, and presumed to violate the correlative rights of Protestants and to constitute waste. Per Commission regulations, the Morrison A-2 and the Batman-Morrison #1 wells are to be shut in until an appropriate allowable that does not violate the correlative rights of Protestants can be determined; and if an allowable that does not violate the correlative rights of Protestants cannot be determined, the Commission may order the Morrison A-2 and the Batman-Morrison #1 be plugged and abandoned.

WHEREFORE Protestants respectfully request that the Morrison A-2 and the Batman-Morrison #1 remain shut-in until a full evidentiary hearing in this matter can be held to determine the matters set forth above, and to grant such further relief as the Commission deems proper.

Respectfully submitted,

By: 

Jonathan B. Schlatter, #24848

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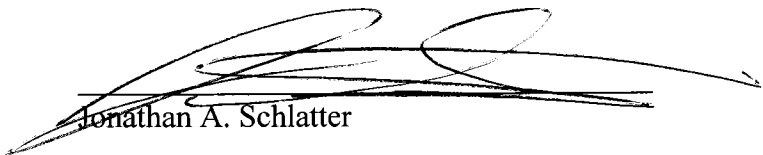
*Attorneys for Robro Royalty Partners, Ltd., and
Bitter End Royalties, L.P.*

VERIFICATION

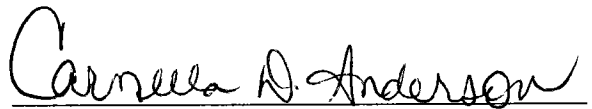
STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

Jonathan A. Schlatter, being of lawful age and being first duly sworn upon his oath, deposes and says:

That he is the attorney for Robro Royalty Partners, Ltd., and Bitter End Royalties, L.P.; he has read the above and forgoing Application and is familiar with the contents and that the statements made therein are true and correct to the best of his knowledge and belief.


Jonathan A. Schlatter

SUBSCRIBED AND SWORN to before me this 17th day of August, 2016.


Carnella D. Anderson
Notary Public

My Appointment expires:
June 17, 2019

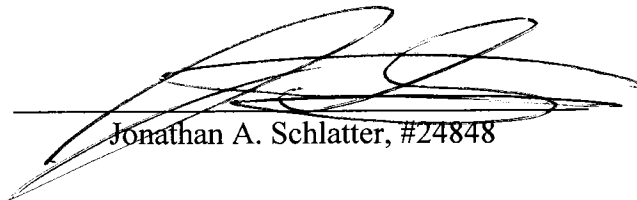


CERTIFICATE OF SERVICE

I, Jonathan A. Schlatter, hereby certify that on this 17th day of August, 2016, I caused the original of the foregoing **Protest** to be electronically filed with the Conservation Division of the State Corporation Commission of the State of Kansas, and caused true and correct copies of the same to be deposited in the United States Mail, first class, postage prepaid, and properly addressed to the following:

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